THE USE AND MISUSE OF ECONOMICS IN CULTURAL AND BROADCASTING POLICY

for

THE TASK FORCE ON BROADCASTING POLICY

Abraham Rotstein
Professor of Economics
University of Toronto

February 24, 1986

CONTENTS

		PAGE
INTRODUCTION		1
II	CULTURE AND THE ECONOMY	5
	1. Culture and Media	5
	2. Spheres of Society	11
	3. The Economy	14
III	THE ECONOMICS OF CULTURE	20
	1. The Semantics of Scarcity	22
	2. Safety Valves	28
	2.1 Merit Goods	31
	2.2 Market Failure	32
IV	CONCLUSION	35
	NOTES	38

INTRODUCTION

The debate on cultural and communications policy in Canada has many dimensions - technological, political, artistic and economic. An effective public policy depends on an appreciation of how these complex issues are interrelated. Often, the ramifications of a decision in one area extend to several other areas simultaneously.

Over the past decade or so, economics has begun to play an important role in the debate surrounding cultural and broadcasting policy. Economists entered the debate in the hope that they could clarify some of these complex policy choices. They referred to their emerging contribution as an "economics of culture" and subsequently added an "economics of broadcasting". On the face of it, this appeared to be a promising opportunity for the application of a discipline intrinsically concerned with establishing rational criteria for making effective choices and with allocating scarce resources among competing goals.

Unfortunately, the high hopes that were held out for economics in the cultural policy debate, have not been realized. We seem to have created instead an ambiguous and confusing role for economics by adding yet another dimension of complexity without corresponding benefits in clarifying the policy issues. The battery of new economic concepts that have gone into circulation seem for the most part, to be grounded on shaky theoretical premises and to offer murky conclusions.

As a result, the economics of culture is now invoked in an *ad hoc* fashion to bolster preconceived positions rather than providing independent criteria to steer the cultural policy debate. It has become the battle ground for opponents as well as proponents of a strong, indigenous cultural policy in Canada.

Opponents of such policies have approached cultural activities as if they were part and parcel of the everyday activities of the marketplace. They have revived classical economic doctrines such as the theory of economic "choice", the notion of culture as a "commodity" and the theory of "protectionism", as arguments against intervention. The primacy and autonomy of the marketplace became the touchstone of their position, the reference point for making policy judgements.

Proponents of a strong cultural policy sought to escape from what they regarded as a theoretical dead end. Some fell back instead on another area of economics namely, macroeconomic theory. They developed the concept of "cultural industries", stressing first the employment benefits and multipler effects of cultural expenditures and subsequently the benefits of technological diffusion to be derived from government support of cultural programs. This became the basis for intervention to counter the hands-off bias of "the market".

The immediate and indeed, most contentious issue it seems, has been that of government intervention. The views of two particular economists are emblematic of the two polar positions that have been taken. Steven Globerman's broad critique of government intervention and of "cultural nationalism" is based on the assumption that "if market institutions in the cultural area perform their role tolerably well, it is unlikely that government intervention will promote the interests of the broad majority of the population."[1] This is of course, the classical doctrine - reliance on the beneficence of the market. He charges further that "government actions have largely overruled market forces where no issue of market failure was at stake."[2]

The opposite view has been taken by another economist, Robert Babe:

> Canadian public policy with regard to broadcasting has reflected a belief that broadcasting is of special significance for the survival of the nation, that it is not "just another industry" to be governed by the impersonal forces of the market place. It has been seen by government as an instrument for binding the country together.[3]

It is not surprising that "market forces", "the market place" and "market failure" are the bone of contention for both economists.

Between the extremes of these two camps, several theorists have tried to run a middle course. They have attempted to find an economic rationale for government support of cultural and broadcasting activities that would command some respectability within the discipline of economics. This has drawn them into 'creative' adaptations in dealing with the role and characteristics of the market place. For example, in "The Political Economy of Culture" - the title of chapter three of the Applebaum-Hébert Report[4] - we find a more elaborate relationship between this new branch of economics and "the market". The authors are by no means anti-interventionist when it comes to the role of government. The intellectual challenge as they see it, is to find a suitable rationale for such intervention within the parameters and concepts that economics establishes.

The chief concepts that have been invoked deserve a close analysis. These include the concepts of "merit goods", "public goods", "market failure", and "externalities"

all of which have their special application in the area of public policy for culture and broadcasting.

The new conceptual apparatus makes important claims for recognition in this area of public policy. These claims however may be premature, no matter which side of the issue is being advocated - whether an "interventionist", a "hands off" policy or for those in between.

The appropriateness of the market as a central frame of reference by all three sides of this debate, is not something that can be taken for granted. This issue is only the first of several basic theoretical issues that need closer attention.

It is the purpose of this report to examine the theoretical apparatus that has been used in this debate. We begin with the basic concepts of "culture" and "the economy", and the relation between the two. This will form the subject of chapter II. An underlying vagueness or confusion about these terms effectively prevents any basic resolution of the issues. It also makes it difficult to judge the battery of auxiliary concepts that have been built up in the debate if the foundation itself is shaky.

We then proceed in chapter III to explore "the economics of culture" and certain auxiliary concepts. We examine their soundness and relevance to public policy issues.

The conclusion of this report attempts to establish a different role for economics in the cultural sphere which does not act as a barrier to effective policy proposals.

While the subject matter becomes quite intricate at certain points, an attempt will be made to keep the argument straightforward and the discourse free of jargon.

II CULTURE AND THE ECONOMY

1. Culture and Media

The term "culture" has widely different connotations in everyday speech and among the different disciplines of the social sciences. As in the legend of the blind sages of India describing the elephant, each person tends to seize on those facets that form part of his immediate experience.

In the traditional connotations of the term, particularly in Canada, culture stands for the link with a unique past, the preservation and perpetuation of a national legacy, and the challenge of "survival" as a people. "La survivance" is the symbolic equivalent in Quebec of this "red tory" tradition in English Canada.

Yet culture is not only an agent of conservation. For many, the predominant connotations are those of change. Artists are prized because they bring into high definition the new currents that are on the horizon, or the hidden inequities with which we have yet to come to grips. Culture in this reading, is a vehicle for dissent; it embodies a striving for reform, a reminder of ideals yet to be realized.

These two views of culture hardly exhaust the subject and one could point to other views that vary as widely as human aspirations themselves. Culture may foster individualism, nihilism, escapism, fantasy, entertainment, pornography and so on.

Culture is at one and the same time the collective memory of the past and the seedbed of change; it is the sounding board for dissident public opinion and the storehouse of the images and symbols in which dissent expresses itself; it encompasses the network of mass communications, while it guards against the instant amnesia of those same mass media.

All these various views and functions of culture have their own 'truths'. Taken together in the everyday world in which they coexist, they point to a common field or framework, an arena of the mind and heart in which they all thrive. The broadest perspective in which culture can be understood perhaps, suggests a domain of discourse that links seemingly autonomous individuals into a coherent and living entity, that is a society cognizant of its past and in control of its future.

The essential attributes of culture that concern us here are put clearly by the sociologist Raymond Breton:

> The formation of societies consists, at one level, in the construction of a symbolic order (which) entails, first, the definition of a collective identity which...becomes articulated in a system of ideas as to who we are as a people. This identity is represented in the multiplicity of symbols surrounding the rituals of public life, the functioning of institutions, and the public celebration of events, groups and individuals... individuals expect to recognize themselves in public institutions. They expect some consistency between their private identities and the symbolic contents upheld by public authorities, embedded in the societal institutions, and celebrated in public events. Otherwise, individuals feel like social strangers; they feel that the society is not their society.[5]

This analysis points up one aspect of this question which is sometimes neglected. Not only are individuals - their values and behaviour patterns - shaped by the cultural context in which they have been nurtured, but the process works the other way as well. As Breton puts it: "individuals expect to recognize themselves in public institutions". Culture in this particular aspect, is a collective "amplifier" so to speak, of the individuals of which the society is composed. They expect these elements of their private identities to be projected in the realms of public discourse, symbols and celebrations.

In its specific disciplines, culture is the ongoing maelstrom of the theatre and film, fine arts and music, ballet and modern dance. But it is embodied as well in country music, rock and roll, jazz, old-time fiddling and stepdancing, regional accents and the plethora of multicultural expression.

Culture also encompasses the underlying values on which a critical journalism is based, the opinion pieces of the Op Ed pages and the thrust and parry of question period in the House of Commons. Culture includes the implicit set of values that establish the agenda of public policy debate. For example, the parameters of what is "news", the issues that are at the forefront when we discuss "the economy", the priorities that are given to regional development and environmental standards, are all informed by cultural values. Likewise in the political sphere, parliamentary democracy, provincial rights, constitutional issues as well as civil liberties form part of the broad domain of culture.

Cultural activities therefore, can be as dynamic and changeable, as eccentric and creative as the individuals who take the public stage. But what keeps cultural expressions from degenerating into the incomprehensible, into

the random or into plain noise is the shared language of discourse with which all this is articulated and understood.

This is not necessarily a mandate for uniformity nor for a preservation of the status quo. Cultural activities are also the harbingers of change, the echoing of dissent, the mediating forces of transition. But the broad context in which these various activities occur is a framework shared by the members of that society - a framework that recognizes and accepts the appropriate vehicles of articulation, the legitimacy of the public arena in which the diverse contentions and representations are made, and finally, embraces some common understanding of the "language" and symbols in which these public conversations occur.

Culture as "language", used in the larger sense of that term, is thus one of the broad, if not the broadest feature of the unity and coherence of a society. We are referring at this level to the essential binding feature of a society without which any semblance of orderly discourse and interaction would disappear. It is important to distinguish these essential functions of culture and its content prior to being drawn into the complex, but subsequent issue of the media of transmission.

It is true that McLuhan's aphorism "the medium is the message" is still widely quoted and believed. Media do impinge on 'messages' in a crucial way, but let us recall that the ancient Greeks for example, brought their culture (in all its aspects) to a high point in the annals of Western civilization, without benefit of modern media. McLuhan's point is a valid recognition of the modern situation and is central to the issues of public policy. But it should not be exaggerated nor allowed to obliterate the distinction between medium and message.

This distinction has important policy implications that will be elaborated below. To anticipate these briefly,

the media in particular are caught up in the nexus of the economy in what have come to be known as "cultural industries". These media thus become subject (up to a point) to the logic and parameters that apply to the economy generally. But it would be a serious error to slip into the further supposition that culture, by virtue of its being embodied (in part) in certain "cultural industries", is also bound by and to be understood within the framework and discipline of economics.

A view of culture that is as ubiquitous and all-embracing as the one that we are addressing, runs well beyond the limited compass of the legitimate areas and interests of public policy. In a liberal democratic society, public policy does not have an unlimited mandate. But it is precisely the setting of the boundaries of that mandate that has become a contentious issue.

Put differently, the pursuit of a comprehensive, all-purpose definition of culture is a will-o'-the-wisp that will only continue to elude us. It is necessary instead to carve a 'wedge' of the cultural sector that can be regarded as a legitimate realm of public concern and that is moreover, amenable to policy proposals that are within the acceptable bounds of the political process. All of this must be governed by a clear view of the purpose to be achieved.

Defining our cultural interests for policy purposes will necessarily be an arbitrary exercise. But it has the advantage of enabling us to state our assumptions and objectives clearly. We can thus avoid tumbling by default into a field of borrowed methodology such as economics that seems to promise much, but inadvertently smuggles in its own set of fictions and assumptions that are hidden away from the open view of the reader (a subject to which we return presently).

The following assumptions form the basis of our own investigation:

1. It is the responsibility of the state to assure the continuity of its own society.

2. While such continuity has economic, social and political dimensions, the particular mandate that we address here in the cultural realm, is for the integrity of the channels of communication. This involves unambiguous access to the national media for the citizens and for the cultural endeavours of that society: newspapers, books, periodicals, television, film and so on.

3. The creativity and continuity of the educational and artistic expression of that society must remain at the forefront of cultural policy.

4. The objective of this continuity is not to preserve a stationary state, but to accomodate the processes of change and adjustment that are inherent in the legacy of a democratic society.

With these premises in mind, it will be possible to explore the recent contribution of economics to the discussion of cultural policy. This discussion has two phases. In the section that follows, we examine the basic theoretical postulates of the discipline. In chapter III, we examine the more recent adaptations and auxiliary concepts that have been formulated in the area of the economics of culture.

2. Spheres of Society

Instead of trying to deal with cultural policy as some elusive adjunct to the economy, it may be useful to stand back from this particular discussion and to place the realms of culture and the economy in some larger social context. The issues become more clearly focussed in a wider comparative perspective.

All societies encompass within them a variety of activities and responsibilities that coexist side by side with each other and with the economy: religion, justice, health, defence, and politics to name only a few. These are not abstract categories but are qualitatively different spheres governed by their own distinctive functions, purposes and traditions. Some of these areas may or may not need elaborate "public policies", depending on the immediate objectives and the stresses and strains to which they may be subject.

Taken together, these spheres encompass the range of goals and values, the needs both material and non-material, that make for a society's continuity and distinctive existence. Culture takes its place among these spheres such as religion and justice, with its own functions and responsibilities and its own attendant problems.

What is clear from a distance however, may become blurred at short range. These various spheres interact with each other in complex ways and virtually all of them have budgets and hence interact with the economy. Let us explore each of these issues in turn.

The distinction that we are drawing here among the various spheres of society and in particular between the economic and non-economic spheres, is often lost sight of because of the everyday activities in which these spheres

overlap. The goals of public health may require us to cut down on our pollution of the environment and thus prove costly to the economy. Similarly, the requirements of public security may infringe on the area of justice and civil rights. Education and religion for example, may overlap and as we are all aware, the issue of "church and state" is a long and contentious one within the schools. The economy itself is governed by many laws - an area where the sphere of justice interacts with it. Health and education are similarly bounded by legal constraints.

Security and defence often enlist firms from the private sector to fulfill their objectives and in some countries such as the United States, intrude in a crucial way into the economy. This has become known as the "military-industrial complex". Despite the existence of this significant area of overlap, the needs and aims of the economy and the needs and aims of defence remain two different spheres of social policy.

This is equally true in the realm of culture which is substantially interwoven with the economy in what are sometimes known as "cultural industries". These cultural industries can be seen in a way that is analogous - for analytical purposes only - to the "military-industrial complex" in the United States. Nevertheless, culture and the economy have purposes that are as distinctively different in the one case as defence and the economy in the other.

Despite this complex interaction of these various spheres of society with each other, they retain their own distinctive goals and responsibilities. These responsibilities may overlap in a benign or stable fashion, or may alternatively, come into conflict with each other. Such tensions and contradictions are resolved through the political sphere. This is the arena where the various needs of different groups of society are articulated and where conflicts are reconciled.

Despite this interaction of these social spheres at close quarters, it is necessary to be clear about the objectives of each sphere, to be alert to the dynamic processes of change within them, and finally, to recognize the practical problems that result from the overlap of the various spheres.

The complexities are obvious and unless we have some clear definitions, a miasma of social confusion will result. At issue is not only the elusive definition of culture which we have already explored, but more immediately, a definition of the economy. Unless the economy is clearly defined and circumscribed, there is a risk, as we shall see, that it will be regarded as a proxy for society itself. In that case the analytical paraphernalia associated with the economy will be taken to be the reigning norms everywhere and will be indiscriminately applied in all realms of public policy. The functions of the political process would be replaced by the derivative norms of an "economics" of this or that. Let us explore this issue further.

3. The Economy

It may seem unduly pedantic to begin this particular phase of our discussion with a distinction between economics and the economy. But there is a little-known professional secret that is of some importance to our discussion. While economists have good definitions of the discipline of economics, virtually no text-book on the subject presumes to define the economy. An attempt at such a definition is necessary since one of the essential questions that has to be addressed is whether culture does or does not belong within the economy. When the definition of both of these key terms is vague or elusive, it helps to explain why much of the subsequent discussion rests on murky foundations.

The boundaries of the economy seem to be fluid and a definition poses problems that are as complex in their own way as the definition of culture that we have discussed previously. It would be preferable to avoid this issue if we could - but we cannot. Every sphere of human activity that requires resources for achieving its objectives may seem to fall within the compass of the economy. Cathedrals for example, belong quite properly in the realm of the religious sphere of society, yet the resources and the labour which they may command for their construction over decades or even centuries, are part of the economic obligations that a society undertakes. One cannot make bricks without straw as the expression goes, and so it would seem that the economy is present everywhere, that is, in all human activities that lay claim to material requirements for their fulfillment.

Yet it must be clear that a view of the economy which is congruent with all human activities where resources are employed, will result in an overextended definition. The economy would then be equated with virtually all social

activity - with the exception perhaps of meditation. Even traditional economists would not intend the economy to be equated with the sphere of the courts, religion and defence for example. The result would be an ambiguous overlap which would be useless for analytical purposes. If the economy is "everywhere", then for all practical purposes we have lost it from view as a distinct sphere of society.

It would be preferable to have a substantive definition of the economy which centers on its role as a distinct social process within society. In this view, the economy refers to the instituted process whereby man secures his livelihood, in particular his material needs of food, shelter, clothing and the like. In the modern market economy, the items that meet these and related needs, are known as "commodities" and are funnelled to us through the process of purchase and sale governed by market institutions. (There are of course, economies that do not meet their material needs through market institutions and there are segments of our own economy that have non-market institutions, but we set these questions to one side).

Because markets are so pervasive and so influential in the modern economy,(an economy that grew out of nineteenth-century laissez-faire capitalism), they have left their imprint on the way in which we view the world. There is a tendency in both the Marxist, and latterly in the neoclassical tradition, to lean toward an "economic interpretation of history". In its popular form, this results in a brand of reductionism that rests virtually all of social existence on the foundation of the economy.

For Marxists, the economy is the central pillar of society. The rest of our social existence is regarded as a "superstructure" that reflects the "mode of production" of that society. Primum vivere, deinde philosophare, declaimed Friederich Engels on the grave of Karl Marx; first, man must

provide for his livelihood, then he can indulge other secondary matters such as for example, culture. The needs of the economy and its forms of organization must, the Marxists maintain, leave their stamp on everything else that a society does.

This nineteenth century dictum has its mirror image surprisingly enough, in the neoclassical camp of economists who are presumably at the opposite pole from the Marxists. Here the underlying premise rests on the (valid) fact that many of society's varied objectives require material means for their achievement. Attaining the goals of religion and justice for instance, do require budgets for building and maintaining the churches and the courts; even incense costs money. This pervasive material dimension to social existence seems to offer a mandate for economists to step in and ply their craft everywhere.

The uninitiated perhaps, may be awed by the hidden wisdom promised say, by "the economics of education", or even by "the economics of culture". Some would surely gag at "the economics of religion" or "the economics of justice". But the practice is now widespread, hence the "economics of..." (fill in whatever social sphere, from defence to the environment that is appropriate at the moment).

It should be made clear that we do not begrudge economists the right to such an intellectual exercise. There should not, as a matter of principle, be any limitation on this or any other type of intellectual pursuit. However, all such pursuits should be judged by their results, that is the way in which they may serve to illuminate difficult areas of social policy or alternatively, serve to confuse them.

The pursuit of "the economics of culture" is not entirely an innocent endeavour that sheds light on dark corners. It carries with it some unexpected consequences. Neoclassical economists quite naturally, tend to fall back on

the conceptual categories that they know best and can manipulate properly. They tend to refer to the social needs in any of the sectors mentioned above as "demand", the resources available to meet these needs as "supply" and the artifacts and activities of these sectors as "commodities" or "services" each of which has its "price". These basic constituents of their vocabulary are of course, the main building blocs of a market institution. By summoning up such categories, presto! - all of these social spheres are turned, even if for analytical purposes only, into "markets". Markets are thus conjured up whether they are empirically present or absent.

For many of the social spheres to which we have referred such as justice, religion or defence, this "market" model of their operations, seems to be an artificial and arbitrary distortion of their purposes and operations. If "commodities" are defined as goods produced for sale, then it is difficult to see what kind of "commodity", justice would be "selling"; whether in the sphere of religion, redemption has its "price"; or what the demand curve for defence would look like. Markets in short, are not ubiquitous in the many spheres of society that lie outside the economy.

One might perhaps indulge the economist his "façon de parler", his peculiar market vocabulary, if this simply remained an interesting analytical exercise. But too often, the economist expects the policy conclusions that flow from this recasting of the world in his favourite image, to be taken at face value. This intellectual sleight of hand leads on to some serious social policy proposals that are drawn from the catechism of how markets are supposed to function best. Social scientists refer to this error of investing the abstract with the reality of the concrete, as reification.

Any such procrustean view of social goals and objectives is bound to introduce serious distortions in our

analysis of public policy. This I suspect, is the heart of the difficulty that arises from the exercise called "the economics of culture", as we shall see in the next chapter. While there can be no doubt that useful insights may be gained from an investigation of what are known as the cultural industries, a certain uncritical enthusiasm stands the risk of subsuming the sphere of culture entirely within the confines of the economy or arbitrarily regarding culture as some type of proxy for the economy.

In the Canadian case, the inferences are obvious. The entire weight of international trade theory, including the law of comparative advantage is brought into play in the cultural sphere. Arbitrary limitations to the operation of "markets" presumably make the consumer worse off and tend to offer him inferior "commodities" often at higher prices than what they could be purchased for abroad. "Commodities" in this perspective, are depersonalized, interchangeable and are traded at arm's length. They have no intrinsic significance other than the fact that they have a price tag attached that someone is willing to pay. Consequently, any restrictions or regulations designed to foster homegrown "commodities" in preference to imported ones are shown to decrease eveyone's "welfare" and merely to serve the interests of local producers at the expense of the population at large. All such cultural policies are therefore relegated to the illegitimate sphere of "protectionism" and are to be shunned.

Such is the orthodox view of the neoclassical economist who has no qualms about seeing Canadian society awash with American culture if that is what the "market verdict" dictates. But many such neoclassical economists have begun to have second thoughts about the social implications of their position and have begun to find "escape hatches" that will reconcile a neoclassical posture with the

preservation of an indigenous cultural sector. Some examples of this exercise are provided in the next chapter.

III THE ECONOMICS OF CULTURE

> Underlying the whole concept of cultural economics... one suspects that there is an intellectual dragon of fierce proportions.
> - Kenneth Boulding[6]

To offer one illustration of Boulding's point, let me cite briefly the work of two neoclassical economists that take different positions on the issue of cultural policy but proceed from the same base of operations.

Albert Breton for example, refers to his work as following "a neo-classical model".[7] He defines the economics of culture as "the description and analysis of the observable characteristics of demand and supply as well as those of their interrelationship in the various 'industries' that make up the cultural sector".

He writes as follows:

> Considered as products, clothes, furniture and automobiles are different from culture in that the former fulfil basic or primary functions associated with warmth, storage and transportation, while the basic function of culture is more difficult to define or at least more difficult to verify empirically. But though the difference between the two types of product is real, it is a matter of degree, not of kind.[8]

This particular instance is revealing for Breton does refer to culture indirectly as a reservoir of "symbols, myths, images and messages" and further to "fundamental needs for identification with profound and meaningful symbolisms, mythologies and imageries."[9]

The intrinsic difference between, as he puts it, "a production economics of cultural output" and the nature of culture itself of which he is obviously aware, is papered over and not given adequate theoretical recognition in his system.[10] When the only distinction that he allows is one of degree, not of kind, culture is thereby subsumed under the umbrella of the economy.

Steven Globerman's work is even more obviously cast in the market model. He believes that "neoclassical economics is a powerful tool for evaluating the efficiency with which resources will be used under alternative institutional arrangements..." His contention (which was quoted earlier) is that "government actions have largely overruled market forces where no issue of market failure was at stake".[11] His basic assumption however, that the market is the appropriate and prevalent institution for culture, begs the question.

The issue that arises is whether one can ever see beyond the horizon of the economy if one is bound to such a neoclassical model where the basic terms "demand" and "supply" carry their own distinctive connotations of a market frame of reference. Indeed, as we argue here, it is precisely in order to break out of these confining (even if self-imposed) parameters, that a subsidiary apparatus has had to be developed to serve as an escape hatch from the strictures of a policy oriented around market norms. Admittedly, not all neoclassical economists have been inclined to seek out such an escape hatch; many rest content to take all their cues from the lexicon of market behaviour. But let us retrace the itinerary of some who have tried.

1. The Semantics of Scarcity

The economist might be inclined to reply that the plausibility of his approach rests on the fact that virtually everything we do costs money, that is, has some claim on society's scarce resources - whether it is building a new church or a domed stadium. Since resources are finite, difficult choices have to be made constantly among the alternative uses of these scarce means. After all, the fact that the world that we live in is constrained by "scarcity" and "choice" can hardly be denied.

It follows in this perspective that the "market" and its accompanying semantics is simply a "rational" way of dealing with, so to speak, the "facts of life"; something the economist did not invent but is merely facing up to. The market is merely an instrument for a rational ordering of the world that recognizes and accomodates these basic realities in an optimum fashion. Such is the logical structure that invites the neoclassical economist to throw out his net everywhere. The logic is seemingly watertight and the inferences for public policy move in the direction that has been indicated previously. The market is the ideal institution that takes cognizance of "choice" since all transactions are voluntary. Further the use of money enhances the range of transactions among which an individual can choose.

These are the semantics of neoclassical economics but like all disciplines, they carry a set of hidden biases and assumptions. These are carried over into the economics of culture and need a much closer inspection than they have been given thus far.

The economics of culture stakes out its claims on two separate grounds:

(a) the universality of the problem of "scarcity" and "choice" to which economics generally is addressed and
(b) the fact that many cultural artifacts - particularly those related to entertainment - are sold in the market place and can therefore be treated as part of the economy.

Both of these propositions are true up to a point. But it is the failure to realize the limitations of both propositions that accounts for the anomalous role that economists have played in the discussion of cultural policy. Let us examine each of these propositions in turn.

The situations of everyday life where we must make choices regarding the disposition of some scarce factor, are present not only in the economy but outside of it as well. Just as Molière's Bourgeois Gentilhomme was surprised to learn that he was speaking "prose", most of us discover that we are all homegrown "economists". Economics has a widespread application both inside and outside the economy.

Students for example, who are a month away from their final examinations, may have to allocate their scarce time in preparing five different subjects. They will give each subject as much time as they can in order to achieve an optimum overall grade point average. (In the language of economists, the marginal productivity of the final hour devoted to each subject will be equal.) This is a typical problem in the application of economics, but it has clearly nothing to do with the economy.

The same holds true in playing chess. Here one may wish to economize on the number of moves that will be needed to take out the opponent's queen. Once again, we have an example where the economizing process has nothing particularly to do with the economy.

A final example should suffice to make the point. In the course of constructing a new theory, a social scientist may wish to limit, that is to economize, on the

number of assumptions on which the new theory rests. He may choose to do this in order to be less vulnerable to attack from his colleagues. Here he is using "economics" to construct his theory.

All three cases are instances of good economics but have nothing to do with the economy. The relations in short, between economics and the economy are contingent; we may have cases where the application of economics has nothing to do with the economy and we may likewise find economies that are not subject to the strictures of economics. (There are instances of primitive and medieval economies organized under the auspices of kinship, religious norms and the weight of long-standing tradition, where "choices" are not on the agenda. In such cases we have economies that are not amenable to the tools of economics, but we must set this aspect of the problem to one side).

The economizing process must find a congenial institutional setting - an economy where scarcity, choice and allocation are built into the operations and decisions of day-to-day activities, before economics can prove useful in analyzing the economy.

In relation to the first proposition of "scarcity" and "choice", the economics of culture is as "valid" as it is in any other situation where the economy is absent. But few propositions of any interest to public policy flow from this application.

The essential issue for our purposes is the institutional setting of the market economy where "scarcity" and "choice" are the order of the day. Here economics has full sway within the concrete institutional setting of a particular type of economy. The economics of culture, as a specific type of application of economics, likewise comes up for scrutiny in such a market setting. But if markets do not exist for culture, (or are only present peripherally), they

have somehow - following Voltaire - to be invented. And of course they are, by invoking the supply-demand paraphernalia.

The question that arises is what type of biases and limitations are introduced in dealing with culture through the market lense. The main difficulty, it would appear, lies with the unit in which market transactions take place. Markets deal in "commodities" - that is merchandise whose only relevant characteristic is its price. The intrinsic properties of the artifact, its functions within a society, the intentions of its producer and so on, are all beside the point when it appears for sale on the market. The "commodity" in short, is a faceless item traded by individuals dealing at "arm's-length" i.e. anonymously.

The market creates what one economic historian has called an "artificial homogeneity". Karl Polanyi writes (in a different context) as follows:

> What nature made distinct, the market makes homogeneous. Even the difference between goods and their transportation may be obliterated, since in the market both can be bought and sold - the one in the commodity market, the other in the freight and insurance market. In either case, there is supply and demand and prices are formed in the same fashion. Carrying and goods, these constituents of trade, acquire a common denominator in terms of cost. Preoccupation with the market and its artificial homogeneity thus makes for good economic theory rather than for good economic history.[12]

The question that arises at this point is whether culture, that is the essential artifacts and values of cultural expression, are "commodities"? The answer, as we indicated earlier is ambiguous. The sale of records, video cassettes, films, books and the other numerous products of the "cultural industries" qualify for this designation because they are treated as such when they enter the distribution channels of the market. At the same time, neither The Toronto Symphony Orchestra, nor the National Ballet are commercial corporations (and are running in perpetual deficit). Our writers and artists do not think of themselves as being in "business" nor as turning out "merchandise" or "commodities". While they may be selling artifacts to their own and other societies, they are at bottom speaking for those societies as well as for themselves - a totally different matter. While their livelihood may be contingent on the eventual sale of their artifacts, their role and activities are understood by them and by others to be part of the language of self-expression of the society in which they live.

As we have tried to indicate, culture as "language" is the collective speech of society. In its essence, such "speech" has its own complex and distinctive syntax and cadences. To pursue this metaphor, speech is not easily amenable to substituting say, verbs for prepositions because someone thinks that that may be more "efficient". Otherwise our speech would become garbled and be unable to fulfill its role as a medium of communication.

Taken together, the cultural expressions of a society have their own integrity and their own intricate rules and forms. They are not produced anonymously for sale on the market and they generally are not substituable for other "homogeneous" alternatives. They tend to have a unique existence and a message that echoes a particular time and place.

In regard to culture therefore, the market is an epi-phenomenon which should not be taken to represent the essential purposes and functions of cultural expression. The fallacy is not essentially different from taking defence industries as a proxy for defence as has been argued earlier.

The market place has no nationality, and does not observe borders and boundaries. Societies on the other hand, are specific to place and time and have both a nationality and borders. It is to societies rather than to markets that cultural expressions are, in the first instance, addressed and for whom they speak.

This is not intended to be an argument for an autarchic cultural policy. More than ever, cultural expressions cross borders and are welcomed everywhere. Participation on the international stage is the order of the day, but in the Canadian case, the test is whether we will have anything to add to the international cultural 'conversation' rather than merely eavesdropping on it. The new "internationalism" adds to the necessity of an indigenous cultural and broadcasting policy rather diminishing its importance.

We must distinguish in short, between the delivery vehicles for cultural artifacts and the "artificial homogeneity" which they create in the market place on the one side, from the essential function of culture as the "language" of a society's existence and continuity on the other.

2. Safety Valves

The reader may feel at this point, that he has been taken on an an extended excursion through the quicksands of the economics of culture, but may be uncertain about the immediate relevance of these arguments.

Many of the basic difficulties that we have discussed, lie just beneath the surface of the most recent major report on cultural policy, the Applebaum-Hébert Report. We are now better able to appreciate some of its internal difficulties. This brief review will illustrate some of the "cracks" that have been papered over.

The Report does begin with a view of Canadian society as a network of "distinctive spheres" similar to the view advanced here in chapter II. The broad social landscape is laid out as follows:

> We start from a view of Canadian society that sees it as an aggregate of distinctive spheres of activity. Each of these has its own values and purposes and its own network of institutions, interacting with one another in myriad ways but equal in their social importance. The political order - the state - is one of these great spheres of institutional systems; the cultural world is another. Both are expressions of the society in which they are rooted but both, at the same time, are major forces in shaping that society. Inevitably they intersect.[13]

The distinction between the political and cultural spheres is clear enough, but what the Applebaum-Hébert report failed to do explicitly, was to make the same distinction between culture and the economy that it made between culture and the state. As a result, both the economy and economics are left in some ambiguous twilight zone.

The Report is on the whole, a strong advocate of state intervention, even though some of its particular policy recommendations are open to considerable debate. In relation to the economy the dilemma is resolved in a straightforward way:

> There was a time when the sphere of economic activity was widely considered to be beyond the range of legitimate political authority, but exponents of uncompromising laissez-faire are rarities today.[14]

Perhaps the report is overly sanguine on this point as may be recalled from the views of Steven Globerman. But the state intervention which the Applebaum-Hébert report advocates is clear-cut and unambiguous. Nevertheless this intervention must first receive its proper dispensation from the canons of orthodoxy of neoclassical economics. The mandate is stated as follows: "Because the allocation of resources is the stuff of economics, it is scarcely surprising that those who champion government activity in support of culture tend to couch their argument in economic terms..."[15]

As it turns out, this is little more than a formal bow in the direction of economics. The Report recognizes that the "allocation of resources" follows a quite different course:

> the allocation of public resources to cultural activities generally, and among those various major programs competing for those resources, can only be decided by ministers guided by the advice of those entrusted with those programs, and by the workings of the political process itself.[16]

So much then for the blandishments of economics. The dilemma (such as it is), is of the economist's own

making. The authors of this Report tend to fall into what we have called the "third camp" - those who recognize the need for a cultural policy and some form of government intervention, but are trying to extricate themselves from the coils of economics. When they attempt to couch their argument in economic terms, they have an uphill battle on their hands, since those very terms are tilted against intervention. These terms are, as was pointed out earlier, derived from the operations of the market place.

It is an uncomfortable dilemma and the Applebaum-Hébert Report attempts to straddle the issue. Having chosen such an "economic" perspective as their initial vantage point, they are now inclined to find a "safety valve" or perhaps more bluntly, an "escape hatch", one that will permit them to exit from the constricting inferences of their discipline into a more acceptable posture for underpinning their public policy conclusions.

The application of economics to culture is thus an artificial exercise; economics produces an uncomfortable "fit" and as is usual in such circumstances, some tailoring of economics has been attempted in order to accomodate the subject of culture in a more congenial way. This is the genesis of the theoretical innovations known as the economics of culture.

The concepts that have been thus developed fall into two broad categories which are interrelated. The first category tends to circumvent the notion of culture as a strict "commodity" with all the connotations of market activity that this implies, and shifts position into the more pliable but derivative notion of culture as "merit goods". The second category relates to the shortcomings of the market institution itself and pursues a number of variants of what has been called "market failure". Let us look at each of these categories in turn.

2.1 Merit Goods

A simple definition of merit goods is offered by Cwi as follows: "merit goods (are) defined as goods which some person believes ought to be available and whose consumption and allocation are felt by them to be too important to be left to the private market".[17] The theoretical source of the merit goods concept is derived from what is known as the Baumol-Bowen hypothesis (following the authors William J. Baumol and William G. Bowen). This forms a strategic part of the discussion of the Applebaum-Hébert Report. Summarizing the argument briefly, it appears that the arts, unlike the regular processes of manufacturing, cannot increase their productivity through the use of labour saving devices. When salaries rise in the economy generally as a result of these productivity increases, salaries rise correspondingly in the arts. But if the productivity increases are lacking here, then the prices of admission must rise and with it would come a falling audience and a lesser level of cultural activity.

This reasoning (if it were correct), would illustrate the typical workings of the market. But if an independent judgement were made that sustaining the level of cultural activity was desirable in its own right, then a compensating subsidy from government would be justified.

After rehearsing this argument, the Applebaum-Hébert Report also invokes the concept of "merit goods" which it defines as "a category of goods and services that deserve to be fostered, in both their production and public enjoyment, irrespective of how the market may measure costs and benefits - simply because they are meritorious".[18]

One wonders at the end of this detour, through and around the market, whether 'this trip was necessary'. There is a palpable sigh of relief and even a note of glee when the Applebaum-Hébert Report concludes triumphantly that:

> this concept (of merit goods) offers a congenial setting for the view taken by tnis Committee of the manifest value of cultural activity in releasing the creative potential of a society, and in illuminating and enriching the human condition - celebrating its strength and exposing its frailties.[19]

Is this concept of "merit goods" a cross that we have to bear? Only of course, if we are mired in the market as our original point of departure. And that, as has been argued here, is an artificial starting point for the formulation of cultural policy.

2.2 Market Failure

Market failure is an umbrella term to cover a number of other categories of rationalization as to why economists may legitimately dispense with market verdicts in the support of cultural programs. There are several concepts that come under this heading but the main ones are "externalities" and "public goods".

Goods and services produced for private consumption may benefit or injure other people who are not involved in the immediate transaction. These benefits and costs are known as "externalities". Environmental damage is a classical example of an externality imposed by polluting industries on surrounding communities. This externality is regarded as a form of "market failure" in the sense that the damage conferred on third parties is not reflected in the price of the good.[20]

Education offers an example of the opposite kind. If we assume that it benefits society as a whole to have an educated population, this can become the justification for the public subsidy of the educational system. If individuals would be required to pay the full cost of their education, fewer of them would be in schools and society at large would be the loser. It is the idea of a "broader social benefit" (above and beyond the private benefit to the individual) that justifies the expenditure of such public funds.[21]

Both of these instances of externalities are treated by economists as forms of market failure. This same type of argument has now been invoked as a justification for support of the arts. For example, there is the notion that early exposure of children to the arts will permit them to benefit from cultural activity as adults, especially if there is increased leisure time in wealthier societies.[22] This can be linked with a second notion of "intergenerational considerations". Since current market prices cannot reflect the enduring benefits of great art that lasts beyond the life of the individual, governments may be superior patrons of the arts over the long term.[23]

Another instance of this argument centers on national prestige i.e. "the prestige conferred on a nation by its performing arts".[24] That presumes a prior feeling of pride in the arts by the general public and subsidization is regarded as justified to achieve both steps. There are other similar arguments of this kind.[25]

The second important category of market failure centers on "public goods". In public finance theory, these refer to goods whch become publicly available at no cost once they have been provided to one person. Some examples are law enforcement, defence, road maintenance or the installation of

power facilities. In the cultural sphere this argument may apply to radio and television signals, or more traditionally to public statues and museums. The point of course is that there would be little incentive to provide these through the market.

A further argument is made on the issue of minority tastes, for which the market is unable to provide adequately. The Applebaum-Hébert Report puts the issue succinctly as follows:

> historically, those cultural activities that have conferred the most lasting benefits, and which have been seen, in retrospect, to have done most to illuminate their times, have more often than not served only minority interests in their own day. On grounds either of market failure or of diffuse social values, the case for intervention applies with special force to the satisfaction of minority preferences.[26]

The development of these auxiliary concepts in an evolving "economics of culture" can be interpreted in various ways. For some, mainly their proponents, they will be regarded as a promising development that should assist the formation of rational cultural policies and moreover allow economics to flex its muscles in new areas.

Such is not the view of this report. It appears that most of the ingenious theoretical innovations were designed to provide, as was stated, safety valves or better, escape hatches from the constrictions that are an intrinsic part of economics. But try as one might, it has continued to be difficult if not impossible to pour the issue of culture and cultural policy into the market mold. The exercise in my view, was misplaced from the start for the reasons that were indicated.

IV CONCLUSION

We have argued here that on balance, the new "economics of culture" has been more of a hindrance than a help in the setting of cultural policy. Most of the intellectual effort has gone into extricating economists from the awkward positions that they had initially worked themselves into from the misapplication of economics to the problems of culture. The broader function of culture in society has little to do with the operation of the market. Hence the market spectacles which the economist has chosen to wear, has become an occupational hazard.

This may seem to be an unduly harsh verdict, but there is an important modification when it comes, not to cultural policy, but to the analysis of that area of overlap between economics and culture namely, the cultural industries.

What can economists legitimately do in this area? There are problems aplenty which they can address within the context of a national cultural policy. Economists can confront the issue of open distribution systems say for Canadian films and books, monopolistic practices at the box office, licensing and copyright problems, the control of deficits and the related issues that accompany our cultural industries. They can in short, say something about good housekeeping or good management - perennial virtues with which we can have no quarrel. Where we must draw the line is at the point where the market perspective is inserted surreptitiously with the usual paraphernalia of "demand" and "supply". The rest of the exercise generally consists of undoing the damage.

Our critique runs parallel in some ways to that offered by Steven Globerman, whose work has only been touched on briefly here. Globerman is as disenchanted as the present

author with the new "economics of culture" but for opposite reasons. He regards it as a thinly disguised tissue of protectionism that impedes the operation of the free market at the expense of the welfare of the general public and to the benefit of a small vocal elite. The flavour of his argument is captured in a short passage which is critical of certain types of cultural subsidies for large-scale projects:

> it is unclear why such ventures should be promoted at public expense, any more than Canadians should be expected to subsidize the growing of bananas in Canada.[27]

Globerman's arguments derive from the standard lexicon of free trade and market theory; the unquestioned assumption throughout his work is that culture can best be treated as a network of markets. Globerman proceeds to test the arguments for cultural intervention against "established market failure criteria" and finds these arguments wanting.

The unadulterated variety of neoclassical economics which Globerman offers, becomes a mandate for undermining fragile Canadian cultural networks and submerging them in a tidal wave of American cultural expression in the name of the impeccable canons of market behaviour.

The invocation of the barometer of the market itself begs the question. This brings us full circle to our starting point: is this type of reification of markets - where they are present largely in the mind of the observer - a valid touchstone for the formulation of cultural policy?

The Clyne Commission offered us one answer which it is worth our while to recall:

> In approaching telecommunications we should realize that its importance demands we view it in a special way. Telecommunications as the foundation of the future society, cannot always be left to the vagaries of the market; principles that we might care to assert in other fields, such as totally free competition, may not be applicable in this crucial sphere.[28]

The challenge before us in the field of cultural policy was also set out clearly by Bernard Ostry:

> In cultural matters, where freedom of choice is threatened by the sheer volume of mass persuasion and mass culture and by the uniformity that results from the competition for mass markets, it is probably only the federal government that has the power and resources to intervene and ensure the survival on a national scale of alternative cultural products. Only the federal government has the interest and responsibility to ensure the broad dissemination of information about the alternative choices available. Canadians, to put it another way, need to be free to choose Canadian culture, and they cannot be free in this way if the culture they prefer has been bulldozed or fragmented out of existence.[29]

****

NOTES

1. Steven Globerman, Cultural Regulation in Canada, The Institute for Research on Public Policy, Montreal, 1983. p.4

2. Ibid. p.31

3. Robert E. Babe, Canadian Television Broadcasting Structure, Performance and Regulation, Supply and Services, Ottawa, 1979. p.6

4. Report of the Federal Cultural Policy Review Committee, Dept. of Communications, Ottawa, 1982. This report will be referred to subsequently as A.H.

5. Raymond Breton, "The Production and Allocation of Symbolic Resources: An Analysis of the Linguistic and Ethnocultural Fields in Canada", Canadian Review of Sociology and Anthropology 21 (May 1984), p.125. Cited in Report, Royal Commission on the Economic Union and Development Prospects for Canada, Minister of Supply and Services, Ottawa, 1985; Vol. 1, p.12.

6. Kenneth E. Boulding, "Notes on Goods, Services, and Cultural Economics", Journal of Cultural Economics, Vol. 1, No. 1, June 1977, p.10

7. Albert Breton, "Introduction to an Economics of Culture: A Liberal Approach", in UNESCO (eds.), Cultural Industries, A Challenge for the Future of Culture, Paris, 1982. p. 50, n.5

8. Ibid., pp. 40 and 42. My underline.

9. Ibid., p. 43

10. Ibid., p. 44

11. Op. cit., pp. 2 and 31

12. Karl Polanyi, "The Economy as Instituted Process", in K. Polanyi, C.M. Arensberg, and H.W. Pearson (eds.), Trade and Market in the Early Empires, Glencoe, Illinois: The Free Press and the Falcon's Wing Press, 1957, p.261.

13. A.H. p. 15

14. A.H. p. 16

15. A.H. p. 64

16. A.H. p. 94, my underline

17. D. Cwi, "Public Support of the Arts: Three Arguments Examined", Journal of Cultural Economics, Dec. 1980, p. 39

18. A.H. p. 68

19. Ibid.

20. Cf. W.J. Baumol and W.G. Bowen, Performing Arts - The Economic Dilemma, The Twentieth Century Fund, New York, 1966, p.382. This book will be referred to subsequently as B.B. Also D. Neltzer, The Subsidized Muse: Public Support for the Arts in the United States, Cambridge University Press, New York, 1978, p.22

21. B.B. pp. 381-2

22. Cf. B.B. p.386; also T. Scitovsky, "What's Wrong with the Arts Is What's Wrong with Society", American Economic Review, May 1972, p. 64

23. Cf. Neltzer, op. cit., p. 23; A.H. p. 65

24. B.B. p. 382

25. Cf. B.B. pp. 369-86, "On the Rationale of Public Support", and Neltzer, op. cit., pp. 15-25

26. A.H. p. 69

27. Globerman, op. cit., p. xxii

28. Telecommunications and Canada, Consultative Committee on the Implications of Telecommunications for Canadian Sovereignty, Supply and Services, Ottawa, 1979, p. 2

29. Bernard Ostry, The Cultural Connection: An Essay On Culture and Government Policy in Canada, McClelland and Stewart, Toronto, 1978. p. 188